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State of the State/Budget Message

by

Governor James R. Thompson

House Chambers

February 25, 1988

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Mr. Speaker, Mr. President, leaders and members of the General Assembly, my fellow constitutional officers, and my fellow citizens.

The Constitution of our State requires that the Governor, each year, tell you what the State of our State is, and that he present a budget which estimates how much money there is to spend next year and how he would spend it. Because the people of Illinois have given me the privilege of serving longer than any other Governor in the history of the State, this is my 12th such opportunity to renew our partnership in government. And, because this year the State of our State is the budget, I have combined the two addresses into one.

This budget does not contain any proposed tax increase -- not because I do not favor one; I do. I support a modest increase in the fairest tax of all -- the Illinois income tax. That tax is the second lowest income tax in the nation while the people of Illinois enjoy the 9th highest income in the nation. We have not permanently increased that tax for 19 years. It is a two and a half percent, flat rate tax. We could increase it by a modest amount; keep our relative tax ranking; keep our good business climate; and get the job done for our citizens in providing the kind of services that they had the right to expect from us when they elected us.

My report to you today is that there are really two States of Illinois -- one, a story of pride in accomplishments and the other, a daunting challenge of serious and systemic proportions.

First, the good news.

I.

When I reported to you last year, unemployment stood at 7.4 percent. Today it stands at 6.7 percent. Last year 5,231,000 Illinoisans were working; today 5,407,000 Illinoisans are working, more than ever before in the history of our State. Agriculture and agribusiness are on the rebound; manufacturing jobs are returning to the economy for the first time in years; the service sector continues to grow; new investment in our State continues to grow; welfare rolls are declining; exports are increasing and Lieutenant Governor Ryan has been spearheading plans to build a World Trade Center in Chicago.

In the eleven years that I have been privileged to serve as Governor, our State highway system has vastly expanded; our State's roadways are in better shape; general aviation facilities have multiplied in number and quality; essential rail service has consolidated and remained competitive; mass transit has expanded and improved; new suburbs have been carved out of prairie; downtowns have been renewed. Build Illinois will deliver what I promised when I proposed it to you, though I must tell you, as I told you last year, Build Illinois cannot deliver what you promised in addition unless you add the revenue to pay for it.

II.

But this State is more than bricks, mortar, concrete, steel and asphalt. This State is people -- the people who elected you and me to understand the challenges, find the answers, get them enacted into law and fairly, compassionately and effectively administer and pay for those laws. If we are unwilling or unable to do that, we have no business being here.

Since you and I have been here we have been able to accomplish much without raising taxes, and in fact, while reducing State taxes by over \$4.2 billion in the last nine years. Let me tell you what we have every right to be proud of:

(1) We stared down inherited debt; two recessions; massive technological changes; market dislocations and national and foreign competition to forge last year the best unemployment compensation reform system in the nation. The payoff? Better benefits for workers; lower taxes for business; the elimination of business and State debt; and a radical improvement in the business climate.

(2) The welfare rolls are declining in Illinois. That's good news. Part of this is because there are more jobs and part of this is because you and I enacted welfare reform in 1987. Project Chance is ahead of its goal of bridging 100,000 people in three years from the welfare rolls to the employment rolls.

While other states and the federal government still talk about welfare reform, you and I did something about it. That is leadership -- that demonstrates the ability to govern, not just talk.

(3) Since we last met, Illinois has made the final list for the SSC, the Superconducting Super Collider. We made the final cut because we started earlier, and worked harder, than any other state. On the merits, no state outranks us. We will not know until later this year whether Congress will authorize the construction of the SSC and, if that occurs, whether we will be chosen. The value of the prize can scarcely be calculated -- many thousands of jobs and spin-off industries and unparalleled scientific prestige. We are where we are today because of executive and legislative leadership.

(4) Before we meet again in this setting, the first new autos will roll off the line at Diamond-Star. Since we last met in this setting, the first new cars have rolled off the line at Chrysler in Belvidere. Ford continues strong production in Ford City. In a time of fluctuating and uncertain production and demand for autos, we are industry leaders. We are in this position because we dared to invest in ourselves and that investment will be repaid many times over -- at Diamond-Star, Chrysler, Ford, Caterpillar, Deere, Navistar, Zenith and a host of other industries. That took executive and legislative leadership.

III.

If you look at the history of the last eleven years you will see at once the pride of achievement in creating and sustaining new programs to meet the needs of our people in ways that were not met by those who governed before us.

(1) Eleven years ago, the choice for many senior citizens who needed help was to close their homes, give up their independence, move to a nursing home or hospital, or die without help. Next year, we will serve more than 35,000 elderly and disabled citizens in their homes at a cost of \$112 million. We were able to do that without raising taxes, and, in fact while cutting taxes. But we can't do it anymore. Without new resources to match growing needs, this kind of program cannot continue to serve all those entitled to our help. It is your job to provide those new resources or curtail the program.

(2) Eleven years ago, criminal sentencing laws were weak and criminals laughed at the law while free on the streets. No new penitentiary cells had been built in decades and old prisons were crumbling. Today tough sentencing laws and prison expansion have enabled us to make room for more than 11,000 additional criminals from the streets of our communities -- where the law-abiding people of Illinois don't want them and where they don't belong. That cost us \$315 million in increased operating costs, and we're spending \$418 million in construction costs. We were able to do this without raising taxes and, in fact, while cutting taxes. But we can't do it anymore. It is your job to provide new resources to expand and modernize our corrections facilities, keep them safe and restore vitally needed parole services.

(3) Three years ago, we began a new pharmaceutical program for 22,000 senior citizens and disabled persons at a cost of \$3 million. Next year, we will help more than 76,000 seniors with heart and blood pressure diseases, diabetes, and arthritis at a total cost of \$32 million -- and the Circuit Breaker will help 360,000 seniors and disabled people with their property taxes at an additional cost of \$115 million. We were able to do this without raising taxes, and in fact, while cutting taxes. But we can't do it anymore. It is your job to provide new resources to support this fast growing program or curtail it. This year you left this program millions of dollars short.

(4) A measure of our society's compassion can be found in how we provide for the weakest, most helpless members of our community. Eleven years ago our infant mortality rate stood at 16 deaths per thousand, shamefully higher than the average of other states and nations who have fewer resources than we do. Today, that rate stands at 11.5 deaths per thousand -- remarkable progress, but not good enough. In the first year, this program cost \$1.4 million. Next year it will cost \$20.8 million. We were able to do this without raising taxes, and, in fact, while cutting taxes. It is your job to provide new resources to support this program. Failure to do so will, without choice, drive the cost of government significantly higher as we pay the price of ignorance, poverty, mental illness, disability, crime and death.

(5) Ten years ago we began to take action to uncover and treat cases of child abuse and neglect. We were extraordinarily successful. The cases uncovered have grown tenfold -- from 9,200 to 92,000. That took strong executive and legislative leadership. We were able to uncover these cases without raising taxes and, in fact, while cutting taxes. But we can't do everything that should be done about many of these cases without new resources. It is your job to provide them.

Think for a moment of your own precious children and grandchildren -- their love, their laughter, their accomplishments, their happy years of life. Now think of thousands of children whose daily lives are filled with dread, with fear, with pain -- sometimes with death a merciful release from the worst crimes that can be committed. Failure to deal with this cancer in our community and deal with it now will scar our souls. I do not want that scarring on my soul, and neither do you, but I cannot faithfully execute the noble laws which you have passed without the dollars to pay for more and better caseworkers, foster homes and adoptive services.

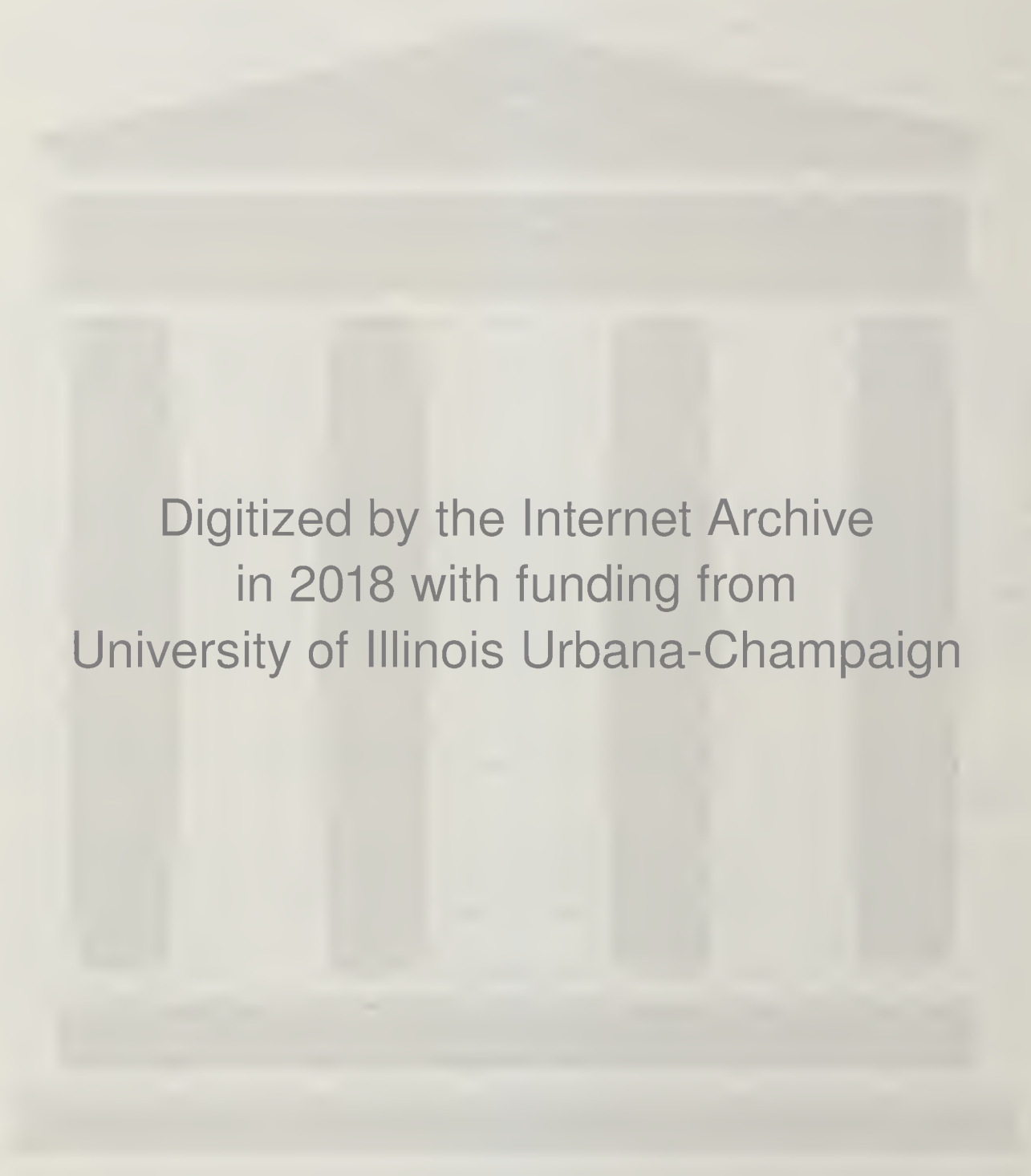
(6) When we were growing up, the plague -- "Black Death" was a medieval horror story that we read about in the history books and forgot. Today the AIDS plague stalks the world and Illinois. In seven years we have gone from six diagnosed cases to 1,457. We responded by raising spending from \$600,000 in federal funds in 1986 to \$41 million in State and federal funds next year.

Last year we passed the best, most comprehensive AIDS legislation in the nation. That took strong executive and legislative leadership, and we did it without raising taxes and, in fact, while cutting taxes. But as the always fatal AIDS plague spreads in homosexual and heterosexual communities, white, black and Hispanic communities, among rich and poor, among men, women and children, I cannot faithfully execute the good laws you have passed unless you provide new resources for the years ahead. That is your job.

IV.

There is much that is good in the first Illinois; there are difficulties and dangers in the second.

(1) This State was one of the first in the United States outside the sunbelt to establish a comprehensive and aggressive agency for economic development -- the Department of Commerce and Community Affairs. That Agency and Lieutenant Governor George Ryan -- with your help -- launched the battle for jobs on scores of fronts -- the retention of existing business (that's one of the reasons why we have a new auto plant instead of a closed auto plant at Belvidere); the winning of new investment (that's why we have a new, state-of-the-art auto plant instead of a corn field at Bloomington-Normal); help for small and medium size businesses; effective partnerships with local governments; a strengthened infrastructure for business including site location services, access roads, and utilities; low-cost loans, small business development centers, technology transfer programs; the corridors of opportunity marketing programs, overseas offices export promotion, and tourism -- promotion, which goes overseas for the first time next year.



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We don't always win every battle. Because we are aggressive and compete for projects that others avoid, we win more, but we also lose more. But when too many of our people are unemployed or underemployed, I refuse to entrust economic development to a sleepy, half-hearted bureaucracy. And we have done all this without raising taxes, and while, in fact cutting taxes. But as we enter the home stretch in the race for the changed jobs of today and the new jobs of tomorrow, we are deliberately shortchanging the efforts of business and labor in this state to bring us home a winner. With neighboring states becoming more fiercely competitive in their efforts to overtake our leadership, we risk becoming a failed partner.

This budget is inadequate to keep Illinois in the race for new jobs. I have allocated as much as I dare from existing resources -- it is your job to provide new resources or you must just say no to thousands of Illinois workers like Tony Rousonelos of Joliet, Illinois. Tony is my guest in this chamber today. He works at Caterpillar, he has for 22 years. Last year he was laid off because he didn't possess marketable skills. After in-house training -- thanks in part to State job training funds -- he became a shop laborer and is now a machine specialist. Because Caterpillar and Tony cared about their future, he's not just another unemployed, unemployable statistic. He's a hardworking, skilled, productive taxpayer. But for Caterpillar to survive -- and for Tony and thousands like him to stay employed into the next century -- his, and their, skills must be continually upgraded. That is primarily the obligation of Caterpillar, and they are spending millions of dollars to do so. But we have an obligation to help. What began as a \$30,000 program ten years ago has grown to a \$30 million program today. Yet this budget for next year can spend only \$22.5 million for the Industrial Training Program for the whole State.

Total job training funds are \$65 million below where they were two years ago; international office efforts will fall sharply in the wake of the weak dollar; the Large Business Loan program is down, not up, from two years ago; the incubator Development Program is down, not up, from two years ago; high technology efforts are down, not up, from two years ago; the Infrastructure Development Program is down, not up, from two years ago; and Economic Development grants are half of what they were two years ago.

In short, while other states are doing more, we are doing less. The jobs we have now, and the jobs we hope to have, become easy pickings for aggressive neighbors who have not been afraid to match tax resources with needs.

Every person I've ever seen stand on a platform and "Just Say No To Taxes" has a job. But more than a million of our people don't, or could have a better one. I refuse to say "No" to them.

(2) Austin Randolph was born in Chicago and attended SIU at Carbondale. Austin is my guest in this chamber today. He worked as a corrections officer at Menard and has been promoted to sergeant and now lieutenant. He performs a tough, important job under dangerous conditions. Menard, like other institutions has too few officers and too many violent inmates. You and I wouldn't spend a night there, in or out of a cell. And yet Austin Randolph

and thousands of decent, hardworking corrections employees like him risk their lives daily so that ours may be a little safer. I never saw anyone stand on a platform and "Just Say No To Taxes" who risked his life daily, and I refuse to say "No" to Austin Randolph and his brave co-workers.

(3) We provide services through 21 state institutions and 425 community based agencies to persons who are mentally ill or developmentally disabled. This budget does not increase the staffing ratio at the institutions which now house the most severely ill and developmentally disabled. We are \$300 million short of what the Governor's Task Force on the Future of Mental Health in Illinois said last year was urgently needed, and needed now. We risk permanent federal de-certification of our facilities and the loss of federal reimbursement funds under the Medicaid program. We risk federal lawsuits to force compliance with constitutional standards. We invite censure and shame from a compassionate people who sent us here.

A week ago, President Rock and I visited a State-supported school in Glen Ellyn for the deaf-blind. It was an occasion of joy -- the school was renamed in honor of Senator Rock for his leadership efforts on behalf of the children. They were all blind -- some could see a little. They were all deaf -- some could hear a little. They were all disabled -- some profoundly. Deaf -- blind -- disabled. And yet they are the lucky ones. All that can be done for them is being done for them. That took strong executive and legislative leadership. But there are hundreds more who are not being cared for, nurtured and taught in this way. I never saw a person stand on a platform and "Just Say No To Taxes" whose life was dark, but for a glimmer, whose life was dim but for a whisper or a note of music, or who could not feed or dress himself. I refuse to just say "No" to those children.

(4) More than 200 communities across this State cannot meet federally mandated wastewater treatment standards which will bring coercive penalties after July 1st of this year. Not a very exciting issue until it means that a town like Jacksonville loses opportunity for economic growth, citizens lose the chance for jobs through no fault of theirs, and mayors like Helen Foreman -- who is my guest in this chamber today -- are caught between no State assistance and unyielding federal law. For failure to provide assistance to Jacksonville and about 200 other communities Illinois will pay a terrible price. For the lack of a \$70 million match, \$350 million in federal revolving loan funds will be taken from Illinois and given to other, smarter states. I hear complaints in this and other chambers about the low return of federal dollars to Illinois. Small wonder when -- by inaction -- we're kicking them out the front door. Last year I identified a simple and relatively painless way to help those communities and bring \$350 million to Illinois. You refused to act. Those who stand on platforms and "Just Say No To Taxes" must live in towns that already have all they need. I thought we were all one State.

(5) Mrs. Lyn Sprick^c of Quincy believes that school dropouts and truants are a blight on the educational achievements of this State and so do I. Some of the companies we assist in Illinois are expected to deliver products with defect tolerances of less than 1 percent. And yet we expect them to hire students from schools with drop-out rates that range from more than 25 percent statewide to 50 percent in our inner-city schools. Not to mention low test

scores. Not to mention illiteracy. Not to mention poor work habits. Mrs. Sprick -- who is my guest in this chamber today -- could use "a little help from her friends" -- you and me -- and hundreds, thousands of teachers across the State like her are forced to work in a system which is not delivering the kind of education that this State needs to move it ahead.

(6) Mrs. Nancy Moore, the head teacher in Springfield's Early Start Project, is my guest in this chamber today. She knows that if you lose the child, you lose the adult. She knows that the earlier we reach young children at risk, the more lives we save; the fewer dollars we pay for ignorance, crime, hospitals, prisons and welfare. Last year, 6,500 children at risk were helped in Illinois, but 15 times as many -- more than 100,000 -- are being shut out and left out. That is not only wrong and short-sighted, it is immoral and we will pay a heavy price for it.

Let's go to the bottom line of education in Illinois. The good news is that there will be no cut in State aid to education this year. The bad news is that we cannot afford any increase in State aid to education this year under the tax resources you have given me to work with. If you can find any significant new money for education next year without raising taxes -- do it. But don't pretend to spend money we don't have.

In elementary and secondary education we are abandoning thousands of children at risk, warehousing thousands more. Schools are supposed to be places of learning, not day care centers.

Yes, I know we have too many teachers who aren't first rate, but we have many more who are. We're tolerating the bad and punishing the good.

Yes, I know that school reform must come to Chicago and other inner-city schools before tax increases. Yes, I know that parents must assume their responsibility as ours did. Yes, I know that we must demand more from the students themselves. Yes, I know that school districts where taxpayers get little State aid and are overburdened by property taxes must get a larger share with tax increases. Yes, I know that it is unfair to ask business to pay more if we do not turn out employable students or hobble the business climate in other areas. I know all this. But I also know that other states are doing more than us with fewer resources and the future will belong to them.

At the level of higher education, we are encouraging low faculty morale, driving exceptional teachers away, strangling program development, choking the link between higher education and economic development, and tolerating pockets of campus neglect and disrepair.

I never saw a person who stood on a platform to "Just Say No To Taxes" who wasn't well enough educated to hold the job he had, but I know of hundreds of thousands who are not, or who have no job because they have no skills, and I refuse to just say "No" to them.

V.

The needs are real. Many are urgent. The time is now. But I believe that raising taxes should always be the last resort, not the first. Some people have said that we can spend more on services that people need by writing a different kind of budget. They are entitled to an answer.

(1) There are those who acknowledge that our fiscal needs are pressing but say that we should not attempt to cure them all in one year -- they want a multi-year solution. But this budget -- like last year's budget -- is part of a multi-year solution. We did not get out of the woods last year, even with nearly three-quarters of a billion dollars of vetoes which you sustained. We still owe millions of dollars to doctors, hospitals and others who have given medical care to the poor. Their reward is to see the payment cycle go to 76 days and beyond because this Assembly underfunded the Medicaid line item this year. The Circuit Breaker program was underfunded by you this year. And even this budget does not address the \$139 million in corporate income tax refunds we owe to thousands of businesses across the State.

(2) Some have said that we can increase spending by collecting old debts. But many of these debts -- while carried on the books -- are uncollectable. Some of these debts are in litigation. Some of these debts are in audit. Some of these debts are intergovernmental disputes. No sufficient sums can be collected in just one year to mitigate this year's budget.

And it really comes with ill grace to suggest that we are deliberately failing to collect money owed us when legislative inaction has caused the accumulation of nearly half a billion dollars that we owe others.

(3) Some have said that we can spend more by cutting waste and reorganizing government. But the waste is never specified. And it will not save money to put the Lottery Department back into the Revenue Department or the Department of Employment Security back into the Department of Labor. No cost savings would be found; direct and responsive authority would be diminished.

(4) Others suggest that revenue estimates are too low. But our revenue forecasts are in sync with national economic forecasts; they are identical to the forecasts of the Federal Reserve Board (two days old) and to the assumptions of former Chairman Paul Volker (two days old). They are square on the money with your own revenue forecasts from the Economic and Fiscal Commission. They work for you -- not me -- and function under bi-partisan leadership. The Commission and the Bureau of the Budget are in 99.84 percent agreement over the two years of Fiscal '88 and '89. Or, to put it another way, there is a difference of 1/6 of 1 percent in their forecast on a \$22 billion base.

(5) Still others contend that "natural growth" in existing revenues can support higher increases with at least some new allocation for education. But the plain fact is that natural growth is not limitless. And once we pay our old bills, fund increases mandated by law, pay the interest on our debt and provide minimal increases for the most vital of services, natural growth is used up.

(6) Moreover, this budget cannot predict new calamities which may befall us. The Supreme Court of the United States has agreed just two days ago to hear an appeal of the messages tax. We passed that tax three years ago to help fund education. I believe we will win the case. But if the Court rules against us, there will be a \$90 million hole in this budget, and we will have to repay, with interest, more than \$200 million of that tax spent in prior years. And we may not know that until next year!

This budget is not designed to "punish" anyone. It was not written to hold education or any other area "hostage" for a tax increase. I have allocated all the money I think we will receive next year. None is hidden or held back. I have not heard a single responsible person in education or in human services say that we can make any kind of gains with current revenues, and they are right.

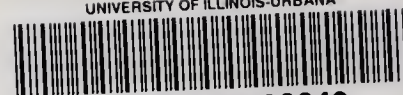
This is now, under our Constitution, your budget. You may change it. You will change it. You always do. But you cannot say, in good conscience, that it adequately serves the real needs of the people of Illinois -- now or for the future. It does not. And you cannot responsibly spend more than the bottom line of this book without providing new revenues. I will sign no such appropriations.

What you can do is join with me in seeking to persuade the people of Illinois to invest more in themselves and in their families' future. That is what leadership is all about. But we elected leaders are entitled to leadership from the people as well. It's their State, after all. It's their lives and livelihoods at stake. It's the American Dream for their children at stake.

We must tell them plainly and tell them now -- "It's your future . . . It's your choice."

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